

GUTHRIE COUNTY HOSPITAL
INDEPENDENT AUDITOR'S REPORT
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
YEARS ENDED JUNE 30, 2012 AND 2011

GUTHRIE COUNTY HOSPITAL

CONTENTS

	<u>Page</u>
OFFICIALS	1
INDEPENDENT AUDITOR'S REPORT	2
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
FINANCIAL STATEMENTS:	
Balance Sheets	5
Statements of Revenues, Expenses and Changes in Net Assets	6
Statements of Cash Flows	7
Notes to Financial Statements	9
REQUIRED SUPPLEMENTARY INFORMATION:	
Budgetary Comparison Schedule	21
SUPPLEMENTARY INFORMATION:	
Schedules Supporting Balance Sheets:	
Patient receivables	22
Inventory/Prepaid expense	23
Schedules Supporting Statements of Revenues, Expenses and Changes in Net Assets:	
Patient service revenue	24
Revenue and related adjustments	25
Nursing service expenses	26
Other professional service expenses	28
Physician services expenses	31
General service expenses	32
Fiscal and administrative service expenses	33
Comparative Statistics	35
Comparative Balance Sheets	36
Comparative Statements of Revenues, Expenses and Changes in Net Assets	37
COMMENTS AND RECOMMENDATIONS:	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	38
Schedule of Findings	40

GUTHRIE COUNTY HOSPITAL
Officials
June 30, 2012

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Roberta Simmons, Chairperson	Panora, Iowa	2012
Rodney Carr, Vice-Chairperson	Guthrie Center, Iowa	2014
Peg Shroyer, Secretary	Panora, Iowa	2014
Jim Robson, Treasurer	Guthrie Center, Iowa	2012
Chris Schafer	Adair, Iowa	2016
Mary Sheeder	Guthrie Center, Iowa	2016
Gene Newell	Guthrie Center, Iowa	2016

Administrator:

Gerald Neal	Guthrie Center, Iowa
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Chief Financial Officer:

Melinda Alt	Audubon, Iowa
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Gronewold, Bell, Kyhnn & Co. P.C.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Guthrie County Hospital
Guthrie Center, Iowa

We have audited the accompanying balance sheets of Guthrie County Hospital as of June 30, 2012 and 2011, and the related statements of revenues, expenses and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The financial statements referred to previously do not include financial data for Guthrie County Healthcare Foundation, the Hospital's legally separate component unit, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the Hospital. As a result, these financial statements do not purport to, and do not, present fairly the financial position of the reporting entity that includes the Hospital and its component unit as of June 30, 2012 and 2011, and the results of its operations, changes in net assets, and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. In accordance with accounting principles generally accepted in the United States of America, the Hospital has issued separate reporting entity financial statements, for which we have issued our report dated September 24, 2012.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Guthrie County Hospital as of June 30, 2012 and 2011, and the results of its operations, changes in net assets, and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated September 24, 2012 on our consideration of Guthrie County Hospital's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and important for assessing the results of our audit.

To the Board of Trustees
Guthrie County Hospital

Accounting principles generally accepted in the United States of America require Management's Discussion and Analysis and the Budgetary Comparison Information on pages 4 through 4g and on page 21 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise Guthrie County Hospital's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2010 (which are not presented herein) and expressed qualified opinions on those financial statements. The supplementary information on pages 1 and 22 through 37 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Summerville, Bell, Thyer & Co. P.C.

Atlantic, Iowa
September 24, 2012



The expertise you need. The personal care you want.

GUTHRIE COUNTY HOSPITAL Management's Discussion and Analysis

Our discussion and analysis of Guthrie County Hospital's financial performance provides an overview of the Hospital's financial activity for the fiscal years ended June 30, 2012 and 2011. We encourage readers to consider it in conjunction with the Hospital's financial statements, which follow.

FINANCIAL HIGHLIGHTS

The Hospital's total assets increased approximately \$88,000 during fiscal year 2012. Net assets, or total assets net of total liabilities, increased by approximately \$253,000 during fiscal 2012, an increase of approximately 2.6 percent.

The Hospital reported operating revenues for the year of \$12.7 million, an increase of approximately \$781,000 or 6.6 percent. Net revenues, or revenues after all expenditures, for 2012 were \$246,959, an increase of \$4,587 from 2011.

The Hospital reported expenditures for the year of \$13.8 million, an increase of approximately \$838,000 or 6.5 percent.

USING THIS ANNUAL REPORT

The basic financial statements of the Hospital report information about the Hospital using Governmental Accounting Standards Board (GASB) accounting principles. The Hospital's financial statements consist of three statements - a Balance Sheet; a Statement of Revenues, Expenses and Changes in Net Assets; and a Statement of Cash Flows. These statements offer short-term and long-term financial information about its activities.

One of the most important questions asked about the Hospital's finances is, "Is the Hospital as a whole better or worse off as a result of the year's activities?" The Balance Sheet and the Statement of Revenues, Expenses and Changes in Net Assets; and the Statement of Cash Flows report information about the Hospital's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. Therefore, all of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

GUTHRIE COUNTY HOSPITAL
Management's Discussion and Analysis - Continued

The first two statements report the Hospital's net assets and changes in them. You can think of the Hospital's net assets - the difference between assets and liabilities - as one way to measure the Hospital's financial health, or financial position. Over time, increases or decreases in the Hospital's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, to assess the overall health of the Hospital. Such non-financial factors could include changes in the Hospital's patient base, measures of the quality of service it provides to the community, and local economic factors, as well as changes in the health care industry, changes in Medicare and Medicaid regulations, and changes in managed care contracting.

The Balance Sheets include all of the Hospital's assets and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations to Hospital creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the Hospital, and assessing the liquidity and financial flexibility of the Hospital.

All of the current year's revenues and expenses are accounted for in the Statements of Revenues, Expenses, and Changes in Net Assets. This statement measures improvements in the Hospital's operations over the past years and can be used to determine whether the Hospital has been able to recover all of its costs through its patient service revenue and other revenue sources.

The final required financial statement is the Statement of Cash Flows. This statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities. The primary purpose of this statement is to provide information about the Hospital's cash from operations, investing, and financing activities, and to provide answers to such questions as "Where did cash come from?", "What was cash used for?", and "What was the change in cash balance during the reporting period?"

These financial statements and related notes also provide information about the activities of the Hospital, including resources held by the Hospital but restricted for specific purposes by contributors, grantors, or enabling legislation.

GUTHRIE COUNTY HOSPITAL
Management's Discussion and Analysis - Continued

THE HOSPITAL'S NET ASSETS

The Hospital's net assets are the difference between its assets and liabilities reported in the Balance Sheet on page 5. The following table, Table 1, presents a summary of the Hospital's Balance Sheets.

Table 1
Condensed Balance Sheets

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Assets:			
Current assets	\$ 6,066,554	\$ 5,707,376	\$ 3,834,335
Capital assets, net	10,825,265	11,070,142	10,326,982
Other noncurrent assets	<u>142,832</u>	<u>168,820</u>	<u>127,168</u>
Total assets	<u>\$ 17,034,651</u>	<u>\$ 16,946,338</u>	<u>\$ 14,288,485</u>
Liabilities:			
Current liabilities	\$ 3,075,833	\$ 3,108,513	\$ 3,044,653
Long-term debt	<u>3,865,991</u>	<u>3,997,500</u>	<u>2,407,500</u>
Total liabilities	<u>6,941,824</u>	<u>7,106,013</u>	<u>5,452,153</u>
Net Assets:			
Invested in capital assets, net of related debt	6,363,108	6,319,184	7,003,926
Restricted - expendable	241,072	242,391	242,210
Unrestricted	<u>3,488,647</u>	<u>3,278,750</u>	<u>1,590,196</u>
Total net assets	<u>10,092,827</u>	<u>9,840,325</u>	<u>8,836,332</u>
Total liabilities and net assets	<u>\$ 17,034,651</u>	<u>\$ 16,946,338</u>	<u>\$ 14,288,485</u>

A significant component of the change in the Hospital's assets is the cash balance as the construction projects have been completed. See related discussion in the CAPITAL ASSETS AND DEBT ADMINISTRATION section.

The most significant component of the change in the Hospital's liabilities was a decrease in accounts payable related to capital items.

GUTHRIE COUNTY HOSPITAL
Management's Discussion and Analysis - Continued

OPERATING RESULTS AND CHANGES IN THE HOSPITAL'S NET ASSETS

The following table, Table 2, presents a summary of the Hospital's historical revenues and expenses for each of the fiscal years ended June 30, 2012, 2011, and 2010.

Table 2
Condensed Operating Results and Changes in Net Assets

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Revenue:			
Net patient service revenue	\$ 12,483,980	\$ 11,690,655	\$ 10,355,628
Other revenue	<u>189,792</u>	<u>201,746</u>	<u>194,951</u>
Total revenue	<u>12,673,772</u>	<u>11,892,401</u>	<u>10,550,579</u>
Expenses:			
Salaries and benefits	8,088,782	8,033,594	7,396,404
Professional fees	817,068	588,830	385,456
Supplies, contract services, equipment & other operating expenses	<u>3,683,623</u>	<u>3,278,182</u>	<u>2,512,356</u>
Depreciation and amortization	<u>1,187,178</u>	<u>1,038,180</u>	<u>793,092</u>
Total expenses	<u>13,776,651</u>	<u>12,938,786</u>	<u>11,087,308</u>
Operating Loss	<u>(1,102,879)</u>	<u>(1,046,385)</u>	<u>(536,729)</u>
Nonoperating Revenues and Expenses:			
County taxes	1,477,231	1,421,696	1,282,244
Investment income	7,528	6,003	13,911
Noncapital grants and contributions	47,900	30,133	30,317
Interest expense	(182,821)	(156,603)	(76,839)
Other nonoperating revenues and expenses, net	<u>--</u>	<u>(12,472)</u>	<u>--</u>
	<u>1,349,838</u>	<u>1,288,757</u>	<u>1,249,633</u>
Excess of Revenues Over Expenses Before Capital Grants and Contributions	246,959	242,372	712,904
Capital Grants and Contributions	<u>5,543</u>	<u>761,621</u>	<u>158,840</u>
Increase in net assets	252,502	1,003,993	871,744
Net Assets Beginning of Year	<u>9,840,325</u>	<u>8,836,332</u>	<u>7,964,588</u>
Net Assets End of Year	<u>\$ 10,092,827</u>	<u>\$ 9,840,325</u>	<u>\$ 8,836,332</u>

GUTHRIE COUNTY HOSPITAL
Management's Discussion and Analysis - Continued

OPERATING LOSSES

The first component of the overall change in the Hospital's net assets is its operating loss - generally, the difference between net patient service revenues and the expenses incurred to perform those services. In each of the past three years, the Hospital has reported an operating loss. This is consistent with the Hospital's entire operating history. The Hospital's operations were begun in 1951 as a county hospital, when it was agreed that a portion of its costs would be subsidized by property tax revenues, making the facility more affordable for the County's lower income residents. In the current fiscal year operating losses have increased.

Management's goal in 2012 was to continue the effort to increase the volume of patients treated while positioning the Hospital and clinics to capture a greater portion of the Guthrie County health care market. Efforts continued to make the community more aware of the services provided at the Hospital.

In 2012 significant time and money investments were made to continue the process of positioning the Hospital to be more competitive in the primary and secondary health care market. During the year, we opened a family practice clinic in Stuart that will allow us to better serve that area of our county. We also recruited a pediatrician who started July, 2012.

In the past 5 years, we have completed additions to our Pharmacy, Radiology, Emergency Room and Operating Room Departments. We have also added 4 new Patient Rooms and a Medical Office building to allow us to expand into orthopedics. All of these projects have had a positive response from the community.

The primary components of these increased operating losses were:

An increase in net operating revenues of \$781,000 or 6.6%, coupled with an increase in operating expenses of \$838,000 or 6.5%.

Increases in salary and benefit costs for the Hospital's employees (\$55,188 or .7% and \$637,200 or 8.6% in 2011). This increase is due to the continued adjustments made in salaries to match market conditions and to increases in health insurance costs.

GUTHRIE COUNTY HOSPITAL
Management's Discussion and Analysis - Continued

NON-OPERATING REVENUES AND EXPENSES

Non-operating revenues consist primarily of property taxes levied by the Hospital, interest income reported as investment earnings, and non capital grants and contributions.

The Hospital's Non-operating Revenues and Expenses increased by \$61,081 comparing fiscal 2012 versus 2011. Interest expense increased by \$26,218 as a result of the 2009 Bond issue.

GRANTS, CONTRIBUTIONS, AND ENDOWMENTS

The Hospital actively seeks contributions through its Foundation and continues to explore applicable grant opportunities. During 2011, the Hospital was awarded a three year Broadband Technology Opportunities Program (BTOP) grant. The Hospital received \$23,570 from the BTOP grant in 2012. The Hospital also received \$5,243 from the Foundation in 2012 as compared to \$91,000 in 2011.

THE HOSPITAL'S CASH FLOW

Changes in the Hospital's cash flows are consistent with changes in operating losses and non-operating revenues and expenses, as discussed earlier. Cash flows provided by operating activities for 2012 were \$215,870. Comparatively, for fiscal 2011, cash flows used in operating activities were \$446,932, a net change of \$662,802.

BUDGETARY HIGHLIGHTS

The official county budget of the Hospital for the year ended June 30, 2012 was prepared on the modified accrual basis. Actual budget basis revenues were lower than the budgeted amount of \$17,073,639 by \$2,861,665 or about 16.8 percent. Actual expenditures were lower than budgeted expenditures. Actual budget basis expenditures were \$13,952,056 as compared to budgeted expenditures of \$15,936,800, a difference of \$1,984,744 or about 12.5 percent.

GUTHRIE COUNTY HOSPITAL
Management's Discussion and Analysis - Continued

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets:

During the fiscal year, the Hospital made capital investments totaling \$934,885. The following table, Table 3, presents a list of significant capital items:

Table 3
Capital Investments

<u>Capital Investments</u>	<u>Vendor</u>	<u>Department</u>	<u>2012 Cost</u>
CT Scanner	Siemens	Radiology	\$ 567,550
Telemedicine Equipment	SKC Communication	Various	249,523

Capital assets for the years ended June 30, 2012, 2011, and 2010 are shown in the following table, Table 4:

Table 4
Capital Assets

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Land and land improvements	\$ 1,243,585	\$ 1,233,274	\$ 1,110,421
Buildings	10,641,722	10,613,019	9,652,220
Fixed equipment	1,975,713	1,970,543	1,722,312
Major movable equipment	<u>4,961,362</u>	<u>4,741,325</u>	<u>3,697,583</u>
Subtotal	18,822,382	18,558,161	16,182,536
Less accumulated depreciation	8,184,955	7,528,133	6,693,946
Construction in progress	<u>187,838</u>	<u>40,114</u>	<u>838,392</u>
Net capital assets	<u>\$ 10,825,265</u>	<u>\$ 11,070,142</u>	<u>\$ 10,326,982</u>

Net capital assets decreased as the Hospital has recently completed projects and current year depreciation exceeded current year acquisitions.

GUTHRIE COUNTY HOSPITAL
Management's Discussion and Analysis - Continued

Debt:

At year-end, the Hospital had \$4,484,461 in short-term and long-term debt. The total debt amount decreased by \$23,039 in fiscal year 2012. More detailed information about the Hospital's long-term liabilities is presented in the notes to the basic financial statements.

Total debt outstanding represents approximately 26.3% of the Hospital's total assets at June 30, 2012.

CURRENTLY KNOWN FACTS

At the time these financial statements were prepared and audited, the Hospital was beginning the process of bidding on renovations for the clinic in Stuart, Iowa. The Hospital was also in the process of implementing an electronic health record system.

CONTACTING THE HOSPITAL'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, customers and creditors with a general overview of the Hospital's finances and to demonstrate the Hospital's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Hospital Administration.

GUTHRIE COUNTY HOSPITAL
Balance Sheets
June 30,

ASSETS

	<u>2012</u>	<u>2011</u>
Current Assets:		
Cash	\$ 1,939,153	\$ 1,228,512
Patient receivables, less allowances for doubtful accounts and for contractual adjustments (\$468,000 in 2012, \$467,900 in 2011)	1,308,606	1,461,186
Other receivables	22,326	470,178
Inventory	310,851	294,031
Prepaid expense	212,268	144,225
Other current assets	22,008	23,128
Estimated third-party payor settlements	480,500	413,000
Succeeding year property tax receivable	1,529,000	1,430,000
Internally designated assets	<u>241,842</u>	<u>243,116</u>
Total current assets	6,066,554	5,707,376
Designated and Restricted Assets:		
Internally designated assets	770	725
Restricted assets	<u>241,072</u>	<u>242,391</u>
	241,842	243,116
Less amounts required to meet current liabilities	<u>241,842</u>	<u>243,116</u>
	--	--
Capital Assets:		
Depreciable capital assets, net	10,524,436	10,927,348
Non-depreciable capital assets	<u>300,829</u>	<u>142,794</u>
	10,825,265	11,070,142
Deferred Financing Costs	61,404	68,820
Notes Receivable	<u>81,428</u>	<u>100,000</u>
Total assets	<u>\$ 17,034,651</u>	<u>\$ 16,946,338</u>

The accompanying notes are an integral part of these statements.

LIABILITIES AND NET ASSETS

	<u>2012</u>	<u>2011</u>
Current Liabilities:		
Current maturities of long-term debt	\$ 618,470	\$ 510,000
Accounts payable	362,405	601,593
Accrued employee compensation	528,402	538,470
Payroll taxes withheld and accrued	37,286	28,450
Accrued interest payable	270	--
Deferred revenue for succeeding year property tax receivable	<u>1,529,000</u>	<u>1,430,000</u>
Total current liabilities	3,075,833	3,108,513
Long-Term Debt:		
Note payable, less current maturities	7,500	37,500
Revenue bonds, less current maturities	3,480,000	3,960,000
Capital lease obligation, less current maturities	<u>378,491</u>	<u>--</u>
Total long-term debt	3,865,991	3,997,500
Total liabilities	6,941,824	7,106,013
Net Assets:		
Invested in capital assets, net of related debt	6,363,108	6,319,184
Restricted - expendable	241,072	242,391
Unrestricted	<u>3,488,647</u>	<u>3,278,750</u>
Total net assets	10,092,827	9,840,325
 Total liabilities and net assets	 <u>\$ 17,034,651</u>	 <u>\$ 16,946,338</u>

GUTHRIE COUNTY HOSPITAL
Statements of Revenues, Expenses and Changes in Net Assets
Year ended June 30,

	<u>2012</u>	<u>2011</u>
Revenue:		
Net patient service revenue	\$ 12,483,980	\$ 11,690,655
Other revenue	<u>189,792</u>	<u>201,746</u>
Total revenue	12,673,772	11,892,401
Expenses:		
Nursing service	3,247,176	2,948,305
Other professional service	4,437,510	4,252,765
Physician services	1,469,600	1,253,239
General service	1,251,442	1,294,000
Fiscal and administrative service	2,183,745	2,152,297
Provision for depreciation	1,179,762	1,029,832
Amortization	<u>7,416</u>	<u>8,348</u>
Total expenses	<u>13,776,651</u>	<u>12,938,786</u>
Operating Loss	(1,102,879)	(1,046,385)
Non-Operating Revenues (Expenses):		
County taxes	1,477,231	1,421,696
Investment income	7,528	6,003
Noncapital grants and contributions	47,900	30,133
Loss on disposal of property and equipment	--	(12,472)
Interest expense	<u>(182,821)</u>	<u>(156,603)</u>
Non-operating revenues, net	<u>1,349,838</u>	<u>1,288,757</u>
Excess of Revenues Over Expenses Before Capital Grants and Contributions	246,959	242,372
Capital Grants and Contributions	<u>5,543</u>	<u>761,621</u>
Increase in Net Assets	252,502	1,003,993
Net Assets Beginning of Year	<u>9,840,325</u>	<u>8,836,332</u>
Net Assets End of Year	<u>\$ 10,092,827</u>	<u>\$ 9,840,325</u>

The accompanying notes are an integral part of these statements.

GUTHRIE COUNTY HOSPITAL
Statements of Cash Flows
Year ended June 30,

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Cash received from patients and third-party payors	\$ 12,652,550	\$ 11,200,109
Cash paid to suppliers	(6,670,222)	(5,946,924)
Cash paid to employees	(5,956,250)	(5,901,863)
Other revenue	<u>189,792</u>	<u>201,746</u>
Net cash provided by (used in) operating activities	215,870	(446,932)
Cash flows from non-capital financing activities:		
County tax revenue	1,477,231	1,421,696
Noncapital grants and contributions	<u>37,797</u>	<u>30,133</u>
Net cash provided by non-capital financing activities	1,515,028	1,451,829
Cash flows from capital and related financing activities:		
Capital grants and contributions	380,008	387,156
Capital expenditures	(173,030)	(1,729,447)
Construction in progress expenditures	(462,897)	(217,083)
Principal paid on long-term debt	(510,000)	(510,000)
Principal paid on capital leases	(80,589)	--
Proceeds from revenue bonds	--	2,100,000
Interest paid	<u>(182,551)</u>	<u>(161,398)</u>
Net cash used in capital and related financing activities	(1,029,059)	(130,772)
Cash flows from investing activities:		
Investment income	7,528	6,003
Change in notes receivable	--	(50,000)
Change in designated and restricted assets	<u>1,706</u>	<u>(1,398)</u>
Net cash provided by (used in) investing activities	<u>9,234</u>	<u>(45,395)</u>
Net increase in cash and cash equivalents	711,073	828,730
Cash and cash equivalents at beginning of year	<u>1,229,448</u>	<u>400,718</u>
Cash and cash equivalents at end of year	<u>\$ 1,940,521</u>	<u>\$ 1,229,448</u>
Reconciliation of cash and cash equivalents to the balance sheets:		
Cash and cash equivalents in current assets	\$ 1,939,153	\$ 1,228,512
Cash and cash equivalents in designated and restricted assets	<u>1,368</u>	<u>936</u>
Total cash and cash equivalents	<u>\$ 1,940,521</u>	<u>\$ 1,229,448</u>

(continued next page)

GUTHRIE COUNTY HOSPITAL
Statements of Cash Flows - Continued
Year ended June 30,

	<u>2012</u>	<u>2011</u>
Reconciliation of operating loss to net cash provided by (used in) operating activities:		
Operating loss	\$(1,102,879)	\$(1,046,385)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities		
Depreciation	1,179,762	1,029,832
Salaries and wages capitalized	(4,586)	(4,585)
Amortization	25,988	8,348
Change in assets and liabilities		
Accounts receivable	236,070	(290,546)
Inventory	(16,820)	(87,663)
Prepaid expense	(68,043)	(28,576)
Other current assets	1,120	(3,663)
Estimated third-party payor settlements	(67,500)	(200,000)
Accounts payable, trade	33,990	136,345
Accrued employee compensation	(10,068)	41,401
Payroll taxes withheld and accrued	8,836	(1,440)
Total adjustments	<u>1,318,749</u>	<u>599,453</u>
Net cash provided by (used in) operating activities	<u>\$ 215,870</u>	<u>\$(446,932)</u>

Non-Cash Transaction:

The Hospital also incurred the following non-cash transaction in addition to the transactions reflected in the reconciliation of operating loss to net cash provided by (used in) operating activities:

	<u>2012</u>	<u>2011</u>
Capital lease was entered into for the purchase of equipment	<u>\$ 567,550</u>	<u>\$ --</u>

The accompanying notes are an integral part of these statements.

GUTHRIE COUNTY HOSPITAL
Notes to Financial Statements
June 30, 2012 and 2011

NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES

1. Reporting Entity

Guthrie County Hospital (the Hospital) is a critical access county hospital with related healthcare ancillary and outpatient services. The Hospital is organized under Chapter 347 of the Code of Iowa, accordingly is a political subdivision of the State of Iowa, and is therefore exempt from federal and state income taxes. It is governed by a seven member board of trustees elected for six year terms. The Hospital has considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Hospital are such that exclusion would cause the Hospital's financial statements to be misleading or incomplete. The criteria for determining financial accountability include: appointing a majority of an organization's governing body, and (a) the Hospital's ability to impose its will on that organization, or (b) the potential for the organization to provide benefits to or impose financial burdens on the Hospital. The Hospital has identified one component unit: Guthrie County Hospital Foundation (the Foundation). Substantially all of the economic resources of the Foundation are designated for the direct benefit of the Hospital. The Hospital received \$5,243 in capital contributions from the Foundation during the year ended June 30, 2012 (\$91,000 in 2011). Blending of the Foundation with the Hospital would result in an increase in total net assets of approximately \$147,000 (\$117,000 in 2011) and a decrease in the change in net assets of approximately \$30,000 (\$22,000 in 2011) for the year ended June 30, 2012.

2. Enterprise Fund Accounting

The Hospital uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus. Based on Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, as amended, the Hospital has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), that do not conflict with or contradict GASB pronouncements.

3. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

4. Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid debt instruments with an original maturity of three months or less, including designated and restricted assets.

GUTHRIE COUNTY HOSPITAL
Notes to Financial Statements
June 30, 2012 and 2011

NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES - Continued

5. Inventory Valuation

Inventory is valued at the lower of cost (first-in, first-out method) or market.

6. Investments

Investments are reported at fair value except for short-term highly liquid investments that have a remaining maturity at the time they are purchased of one year or less. These investments are carried at amortized cost. Interest, dividends, and gains and losses, both realized and unrealized, on investments are included in non-operating revenue when earned, unless restricted by donor or law.

7. Capital Assets

The Hospital's capital assets are reported at historical cost. Contributed capital assets are reported at their estimated fair value at the time of their donation. Capital assets with lives in excess of two years and cost in excess of \$5,000 are capitalized. These capital assets, other than land, are depreciated or amortized (in the case of capital leases) using the straight-line method of depreciation using their estimated useful lives (fifteen to forty years for buildings and land improvements and three to twenty years for equipment).

8. Costs of Borrowing

Except for capital assets acquired through gifts, contributions, or capital grants, interest cost on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. The Hospital capitalized no interest cost in 2012 and \$4,795 in 2011.

9. Compensated Absences

Hospital employees earn vacation days at varying rates depending on years of service. Vacation time accumulates to a maximum of 150% of an employee's annual vacation time earned. Any excess accumulated over the maximum is to be used within 90 days. Certain employees have been allowed to accrue more than the maximum allowed vacation because these employees are unable to use their vacation due to their departments being understaffed. The computed amount of vacation benefits earned by year end is recorded as part of accrued employee compensation.

10. Operating Revenues and Expenses

The Hospital's statement of revenues, expenses and changes in net assets distinguishes between operating and non-operating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services - the Hospital's principal activity. Nonexchange revenues, including taxes, grants, and contributions received for purposes other than capital asset acquisition, are reported as non-operating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

GUTHRIE COUNTY HOSPITAL
Notes to Financial Statements
June 30, 2012 and 2011

NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES - Continued

11. Net Patient Service Revenue

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

12. Property Tax Levy

Property tax receivable is recognized on the levy or lien date, which is the date that the tax asking is certified by the County Board of Supervisors. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred and will not be recognized as revenue until the year for which it is levied. Property tax revenue is reported as non-operating revenue when collected by the County Treasurer.

13. Grants and Contributions

Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as non-operating revenues. Amounts restricted to capital acquisitions are reported after non-operating revenues and expenses.

14. Restricted Resources

Use of restricted or unrestricted resources for individual projects is determined by the Hospital Board of Trustees based on the facts regarding each specific situation.

15. Net Assets

Net assets of the Hospital are classified in three components. *Net assets invested in capital assets net of related debt* consist of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. *Restricted net assets* are noncapital net assets that must be used for a particular purpose or permanent endowments, as specified by creditors, grantors, or contributors external to the Hospital. *Unrestricted net assets* are remaining net assets that do not meet the definition of *invested in capital assets net of related debt or restricted*.

GUTHRIE COUNTY HOSPITAL
Notes to Financial Statements
June 30, 2012 and 2011

NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES - Continued

16. Charity Care

The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Revenue from services to these patients is automatically recorded in the accounting system at the established rates, but the Hospital does not pursue collection of the amounts. The resulting adjustments are recorded as bad debts or charity service depending on the timing of the charity determination.

NOTE B - THIRD-PARTY PAYOR ARRANGEMENTS

A summary of the payment arrangements with major third-party payors follows:

Medicare and Medicaid - Inpatient services and most outpatient services related to program beneficiaries are paid based on a cost reimbursement methodology. The Hospital is reimbursed for the cost of services at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the fiscal intermediaries. The Hospital's Medicare and Medicaid cost reports have been audited and finalized by the fiscal intermediaries through June 30, 2010. However, finalized cost reports are subject to re-opening by the intermediaries within three years after the date of finalization. Outpatient services not paid based on a cost reimbursement methodology are paid based on a prospectively determined fee schedule.

The Hospital also has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the Hospital under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

NOTE C - RESTRICTED NET ASSETS

Restricted expendable net assets are available for the following purposes:

	<u>2012</u>	<u>2011</u>
Long-term debt	\$ 240,076	\$ 241,695
Purchase of property and equipment	<u>996</u>	<u>696</u>
	<u>\$ 241,072</u>	<u>\$ 242,391</u>

The Hospital has no restricted non-expendable net assets or endowments at June 30, 2012 or 2011.

GUTHRIE COUNTY HOSPITAL
Notes to Financial Statements
June 30, 2012 and 2011

NOTE C - RESTRICTED NET ASSETS - Continued

Following is a summary of the use of temporarily restricted net assets during the year ended June 30:

	<u>2012</u>	<u>2011</u>
Purchase of property and equipment	\$ 5,243	\$ 762,916
Payment of long-term debt	<u>1,619</u>	<u>--</u>
	<u>\$ 6,862</u>	<u>\$ 762,916</u>

NOTE D - DESIGNATED NET ASSETS

Of the \$3,488,647 (\$3,278,750 as of June 30, 2011) of unrestricted net assets as of June 30, 2012, \$770 (\$725 for 2011) has been designated by the Hospital's Board of Trustees for capital acquisitions. These assets remain under the control of the Board of Trustees, which may, at its discretion, later use the funds for other purposes.

NOTE E - DEPOSITS AND INVESTMENTS

The Hospital's deposits at June 30, 2012 were entirely covered by federal depository insurance or the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds. Investments are stated as indicated in Note A.

The Hospital is authorized by statute to invest public funds in obligations of the United States Government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Trustees; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The composition of designated and restricted assets is as follows:

	<u>2012</u>	<u>2011</u>
Internally Designated Assets:		
Cash and cash equivalents	\$ 372	\$ 240
GNMA pool	<u>398</u>	<u>485</u>
	<u>\$ 770</u>	<u>\$ 725</u>
Restricted Assets:		
Certificates of deposit	\$ 240,076	\$ 241,695
Cash and cash equivalents	<u>996</u>	<u>696</u>
	<u>\$ 241,072</u>	<u>\$ 242,391</u>

GUTHRIE COUNTY HOSPITAL
Notes to Financial Statements
June 30, 2012 and 2011

NOTE E - DEPOSITS AND INVESTMENTS - Continued

The Hospital's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the Hospital.

NOTE F - ACCOUNTS RECEIVABLE AND CONCENTRATION OF CREDIT RISK

The Hospital grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at June 30, 2012 and 2011, was as follows:

	<u>2012</u>	<u>2011</u>
Receivable from:		
Patients	\$ 434,320	\$ 367,943
Medicare	662,686	977,519
Medicaid	68,127	68,776
Blue Cross	246,916	262,211
Other commercial insurance carriers	<u>364,557</u>	<u>252,637</u>
	1,776,606	1,929,086
Less allowances for doubtful accounts and contractual adjustments	<u>468,000</u>	<u>467,900</u>
	<u>\$ 1,308,606</u>	<u>\$ 1,461,186</u>

GUTHRIE COUNTY HOSPITAL
Notes to Financial Statements
June 30, 2012 and 2011

NOTE G - CAPITAL ASSETS

Capital assets, additions, disposals and balances for the years ended June 30, 2012 and 2011 were as follows:

<u>Cost</u>	<u>Balance 2011</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 2012</u>
Land Improvements	\$ 1,130,594	\$ --	\$ --	\$ 1,130,594
Buildings	10,613,019	28,703	--	10,641,722
Fixed Equipment	1,970,543	5,170	--	1,975,713
Major Movable Equipment	<u>4,741,325</u>	<u>742,977</u>	<u>522,940</u>	<u>4,961,362</u>
	18,455,481	776,850	522,940	18,709,391
<u>Depreciation</u>				
Land Improvements	352,924	70,731	--	423,655
Buildings	3,506,073	393,964	--	3,900,037
Fixed Equipment	1,020,901	152,314	--	1,173,215
Major Movable Equipment	<u>2,648,235</u>	<u>562,753</u>	<u>522,940</u>	<u>2,688,048</u>
Total Depreciation	<u>7,528,133</u>	<u>1,179,762</u>	<u>522,940</u>	<u>8,184,955</u>
Total Depreciable Capital Assets, Net	<u>\$ 10,927,348</u>	<u>\$ (402,912)</u>	<u>\$ --</u>	<u>\$ 10,524,436</u>
Construction in Progress	\$ 40,114	\$ 166,306	\$ 18,582	\$ 187,838
Land	<u>102,680</u>	<u>10,311</u>	<u>--</u>	<u>112,991</u>
Total Non-Depreciable Capital Assets	<u>\$ 142,794</u>	<u>\$ 176,617</u>	<u>\$ 18,582</u>	<u>\$ 300,829</u>

GUTHRIE COUNTY HOSPITAL
Notes to Financial Statements
June 30, 2012 and 2011

NOTE G - CAPITAL ASSETS - Continued

<u>Cost</u>	<u>Balance 2010</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 2011</u>
Land Improvements	\$ 1,012,741	\$ 118,607	\$ 754	\$ 1,130,594
Buildings	9,652,220	960,799	--	10,613,019
Fixed Equipment	1,722,312	293,485	45,254	1,970,543
Major Movable Equipment	<u>3,697,583</u>	<u>1,205,851</u>	<u>162,109</u>	<u>4,741,325</u>
	16,084,856	2,578,742	208,117	18,455,481
<u>Depreciation</u>				
Land Improvements	286,445	67,233	754	352,924
Buildings	3,116,073	390,000	--	3,506,073
Fixed Equipment	931,596	133,837	44,532	1,020,901
Major Movable Equipment	<u>2,359,832</u>	<u>438,762</u>	<u>150,359</u>	<u>2,648,235</u>
Total Depreciation	<u>6,693,946</u>	<u>1,029,832</u>	<u>195,645</u>	<u>7,528,133</u>
Total Depreciable Capital Assets, Net	<u>\$ 9,390,910</u>	<u>\$1,548,910</u>	<u>\$ 12,472</u>	<u>\$ 10,927,348</u>
Construction in Progress	\$ 838,392	\$ 281,975	\$1,080,253	\$ 40,114
Land	<u>97,680</u>	<u>5,000</u>	<u>--</u>	<u>102,680</u>
Total Non-Depreciable Capital Assets	<u>\$ 936,072</u>	<u>\$ 286,975</u>	<u>\$1,080,253</u>	<u>\$ 142,794</u>

NOTE H - NON-CURRENT LIABILITIES

A schedule of changes in the Hospital's non-current liabilities for the years ended June 30, 2012 and 2011 follows:

	<u>Balance 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 2012</u>	<u>Current Portion</u>
Long-Term Debt:					
Rural Economic Development Loan	\$ 67,500	\$ --	\$ 30,000	\$ 37,500	\$ 30,000
Series 2006 Revenue Bonds	1,560,000	--	160,000	1,400,000	160,000
Series 2009 Revenue Bonds	2,880,000	--	320,000	2,560,000	320,000
Capital Lease Obligation	<u>--</u>	<u>567,550</u>	<u>80,589</u>	<u>486,961</u>	<u>108,470</u>
Total Non-Current Liabilities	<u>\$4,507,500</u>	<u>\$ 567,550</u>	<u>\$ 590,589</u>	<u>\$4,484,461</u>	<u>\$ 618,470</u>

GUTHRIE COUNTY HOSPITAL
Notes to Financial Statements
June 30, 2012 and 2011

NOTE H - NON-CURRENT LIABILITIES - Continued

	<u>Balance</u> <u>2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>2011</u>	<u>Current</u> <u>Portion</u>
Long-Term Debt:					
Rural Economic					
Development Loan	\$ 97,500	\$ --	\$ 30,000	\$ 67,500	\$ 30,000
Series 2006 Revenue					
Bonds	1,720,000	--	160,000	1,560,000	160,000
Series 2009 Revenue					
Bonds	<u>1,100,000</u>	<u>2,100,000</u>	<u>320,000</u>	<u>2,880,000</u>	<u>320,000</u>
Total Non-Current					
Liabilities	<u>\$2,917,500</u>	<u>\$2,100,000</u>	<u>\$ 510,000</u>	<u>\$4,507,500</u>	<u>\$ 510,000</u>

In September, 2008, the Hospital borrowed \$150,000 through the Guthrie County Rural Electric Cooperative under the Rural Economic Development Loan and Grant Program. The loan is non-interest bearing and is payable in twenty equal quarterly installments. The loan is collateralized by the Hospital's net revenues.

The Series 2006 Hospital Revenue Bonds were issued in May, 2006 in a principal amount up to \$2,200,000. The bonds carry an interest rate of 4.00% per annum through September 30, 2012. On September 30, 2012 and again on September 30, 2015 and 2018, the rate will be adjusted to 0.50% over the "constant maturity" index of the three year U.S. Treasury Note rate in effect on those dates, provided however, that no adjusted interest rate shall be 2% higher or lower than the immediately preceding adjusted interest rate and no adjusted interest rate shall exceed 8% per annum or be less than 4% per annum. The bonds mature in quarterly installments of principal in the amount of \$40,000 plus interest. The bonds are payable from and secured by a lien on net revenues of the Hospital.

The Series 2009 Hospital Revenue Bonds were issued in September, 2009 in a principal amount up to \$3,200,000. By June 30, 2011, the entire \$3,200,000 had been drawn by the Hospital. The bonds carry an interest rate of 4.00% per annum through September 30, 2012. On September 30, 2012 and again on September 30, 2015 and 2018, the rate will be adjusted to 0.50% over the "constant maturity" index of the three year U.S. Treasury Note rate in effect on those dates, provided however, that no adjusted interest rate shall be 2% higher or lower than the immediately preceding adjusted interest rate and no adjusted interest rate shall exceed 8% per annum or be less than 4% per annum. The bonds mature in quarterly installments of principal in the amount of \$80,000 plus interest. The bonds are payable from and secured by a lien on net revenues of the Hospital.

The combined annual debt service on the loan, bonds, and capital lease obligation is expected to require less than 50% of cash flow available for debt service. For the current year, debt service and cash flow available for debt service were approximately \$773,000 and \$1,623,000, respectively.

GUTHRIE COUNTY HOSPITAL
Notes to Financial Statements
June 30, 2012 and 2011

NOTE H - NON-CURRENT LIABILITIES - Continued

Under the terms of the bond resolutions, the Hospital is required to maintain certain deposits with a bank. Such deposits are included with restricted assets in the financial statements. The bond resolution also places limits on the incurrence of additional borrowings and requires that the Hospital satisfy certain measures of financial performance as long as the notes are outstanding. The Hospital is subject to a prepayment penalty of 3% of the unpaid principal balance if such prepayment is on or before the first interest rate adjustment date.

Assets recorded under capital leases consist of major movable equipment items with totals as follows:

	<u>2012</u>	<u>2011</u>
Cost	\$ 578,305	\$ --
Less: Accumulated Amortization	<u>86,746</u>	<u>--</u>
Net Book Value	<u>\$ 491,559</u>	<u>\$ --</u>

Scheduled principal and interest repayments on long-term debt are as follows:

<u>Year Ending June 30,</u>	<u>Long-Term Debt</u>		<u>Capital Leases</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2013	\$ 510,000	\$ 151,222	\$ 108,470	\$ 14,561	\$ 784,253
2014	487,500	132,022	112,136	10,895	742,553
2015	480,000	112,822	115,925	7,106	715,853
2016	480,000	93,622	119,842	3,189	696,653
2017	480,000	74,422	30,588	170	585,180
2018-2020	<u>1,560,000</u>	<u>110,466</u>	<u>--</u>	<u>--</u>	<u>1,670,466</u>
	<u>\$ 3,997,500</u>	<u>\$ 674,576</u>	<u>\$ 486,961</u>	<u>\$ 35,921</u>	<u>\$ 5,194,958</u>

NOTE I - EMPLOYEE RETIREMENT AND DEFINED BENEFIT PENSION PLAN

The Hospital contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 5.38% (5.78% beginning July 1, 2012) of their annual salary and the Hospital is required to contribute 8.07% (8.67% beginning July 1, 2012) of annual covered payroll. Contribution requirements are established by State statute. The Hospital's contributions to IPERS for the years ended June 30, 2012, 2011, and 2010, were approximately \$471,300, \$402,400, and \$365,000, respectively, equal to the required contributions for each year.

GUTHRIE COUNTY HOSPITAL
Notes to Financial Statements
June 30, 2012 and 2011

NOTE J - COMMITMENTS AND CONTINGENCIES

Other Post Employment Benefits (OPEB)

Plan Description: As required by state law, the Hospital offers health insurance to former employees who have retired after age 55, but have not reached Medicare eligibility. The fully insured plan is a part of the plan offered to all Hospital employees, and the retiree must pay a health insurance premium equal to that charged for current employees. There are approximately 90 active employees and 2 retirees currently covered by the plan.

Potential for Liability: A review of the Hospital's current and potential future exposure to this requirement resulted in the conclusion that no material liability exists. Therefore no liability has been recorded.

Note Payable

The Hospital has entered into an agreement with the Guthrie County Rural Electric Cooperative Association (the cooperative) under the Rural Economic Development Loan and Grant Program. Under the terms of the agreement, \$183,050 was advanced to the Hospital through a non-interest bearing note, payable in 40 equal quarterly installments through June, 2013. Through a separate agreement, the Hospital subsequently loaned the \$183,050 to Little Panther Daycare (the daycare) to be used for the construction of a daycare facility in Panorama, Iowa. This note receivable from the daycare is also non-interest bearing. It is payable in 120 equal monthly installments through June, 2013 and is secured by a mortgage agreement on the daycare's assets. The note receivable from the daycare is further guaranteed by three area businesses who each separately entered into agreements with the Hospital guaranteeing 25% of the total amount owed by the daycare to the Hospital after the sale of collateral. The offsetting note receivable and note payable of \$18,305 at June 30, 2012 (\$35,084 at June 30, 2011) have not been recorded on the Hospital's balance sheet.

Risk Management

The Hospital is insured by a claims-made policy for protection against liability claims resulting from professional services provided or which should have been provided. Management believes that the malpractice insurance coverage is adequate to cover all asserted and any unasserted claims, therefore no related liability has been accrued. Guthrie County Hospital is exposed to various other common business risks for which it is covered by commercial insurance. Settled claims from these risks have not exceeded insurance coverage during the past three fiscal years.

The Hospital has been named as a defendant in a lawsuit. Legal counsel is unable to evaluate the eventual outcome of the lawsuit. Management believes that, should any liability eventually result, the Hospital's insurance coverage is adequate to cover any potential settlement. Therefore, no related liability has been accrued.

Notes Receivable

The notes receivable represent funds advanced under an agreement with a healthcare professional now practicing in the community. The agreement includes commitments by the healthcare professional to provide medical services in the community for a specified period of years. In exchange for the commitments of time and services, the Hospital will forgive the notes over the term of the commitments.

GUTHRIE COUNTY HOSPITAL
Notes to Financial Statements
June 30, 2012 and 2011

NOTE J - COMMITMENTS AND CONTINGENCIES - Continued

Construction in Progress

The \$187,838 in construction in progress at June 30, 2012 is related to various small projects for which no material commitments exist as of the date of this report.

As of June 30, 2012, the Hospital has also entered into an agreement to purchase equipment with a total estimated cost of \$408,000. Funding for the equipment is to be provided by funds generated internally.

Subsequent Events

The Hospital has evaluated all subsequent events through September 24, 2012, the date the financial statements were available to be issued.

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REQUIRED SUPPLEMENTARY INFORMATION

GUTHRIE COUNTY HOSPITAL
Budgetary Comparison Schedule
Year Ended June 30, 2012

The budgetary comparison is presented as Required Supplementary Information in accordance with Government Auditing Standards. In accordance with the Code of Iowa, the Board of Trustees annually adopts a budget following required public notice and hearings. The annual budget may be amended during the year utilizing similar statutorily-prescribed procedures. The following is a reconciliation between reported amounts and the modified accrual basis used to prepare the budget. The adjustments result from accounting for interest, amortization, and net assets differently for financial statement and budget purposes.

	Per Financial Statements		
	Unrestricted Fund	Restricted Fund	Total
Amount raised by taxation	\$ 1,477,231	\$ --	\$ 1,477,231
Other revenues	12,546,379	5,543	12,551,922
Transfers in (out)	<u>6,862</u>	<u>(6,862)</u>	<u>--</u>
	14,030,472	(1,319)	14,029,153
Expenses	<u>13,776,651</u>	<u>--</u>	<u>13,776,651</u>
Net	253,821	(1,319)	252,502
Balance beginning of year	<u>9,597,934</u>	<u>242,391</u>	<u>9,840,325</u>
Balance end of year	<u>\$ 9,851,755</u>	<u>\$ 241,072</u>	<u>\$ 10,092,827</u>

	Total Per Financial Statements	Budget Adjustments	Budget Basis	Adopted Budget
Amount raised by taxation	\$ 1,477,231	\$ --	\$ 1,477,231	\$ 1,429,611
Other revenues	<u>12,551,922</u>	<u>182,821</u>	<u>12,734,743</u>	<u>15,644,028</u>
	14,029,153	182,821	14,211,974	17,073,639
Expenses	<u>13,776,651</u>	<u>175,405</u>	<u>13,952,056</u>	<u>15,936,800</u>
Net	252,502	7,416	259,918	1,136,839
Balance beginning of year	<u>9,840,325</u>	<u>(414,773)</u>	<u>9,425,552</u>	<u>9,425,552</u>
Balance end of year	<u>\$ 10,092,827</u>	<u>\$ (407,357)</u>	<u>\$ 9,685,470</u>	<u>\$ 10,562,391</u>

See Independent Auditor's Report.

SUPPLEMENTARY INFORMATION

GUTHRIE COUNTY HOSPITAL
Patient Receivables
June 30,

Analysis of Aging:

<u>Days Since Discharge</u>	<u>2012</u>		<u>2011</u>	
	<u>Amount</u>	<u>Percent To Total</u>	<u>Amount</u>	<u>Percent To Total</u>
In hospital - 30	\$ 1,155,439	65%	\$ 1,339,537	69%
31 - 60	277,139	16	254,098	13
61 - 90	121,078	7	162,270	9
91 - 150	81,989	4	84,151	4
151 - 180	15,612	1	9,438	1
181 and over	125,349	7	79,592	4
	<u>1,776,606</u>	<u>100%</u>	<u>1,929,086</u>	<u>100%</u>
Allowance for doubtful accounts	198,300		150,900	
Allowance for contractual adjustments	<u>269,700</u>		<u>317,000</u>	
	<u>\$ 1,308,606</u>		<u>\$ 1,461,186</u>	

Allowance for Doubtful Accounts:

	<u>Year ended June 30,</u>	
	<u>2012</u>	<u>2011</u>
Balance, beginning	\$ 150,900	\$ 144,100
Provision for bad debts	496,632	521,532
Recoveries of accounts previously written off	<u>268,707</u>	<u>243,575</u>
	916,239	909,207
Accounts written off	<u>717,939</u>	<u>758,307</u>
Balance, ending	<u>\$ 198,300</u>	<u>\$ 150,900</u>

See Independent Auditor's Report.

GUTHRIE COUNTY HOSPITAL
Inventory/Prepaid Expense
June 30,

	<u>2012</u>	<u>2011</u>
<u>Inventory</u>		
Medical and surgical supplies	\$ 143,529	\$ 132,695
Laboratory	41,300	38,733
Pharmacy	106,803	103,384
Other	<u>19,219</u>	<u>19,219</u>
	<u>\$ 310,851</u>	<u>\$ 294,031</u>
 <u>Prepaid Expense</u>		
Insurance	\$ 17,819	\$ 16,932
Service contracts and dues	<u>194,449</u>	<u>127,293</u>
	<u>\$ 212,268</u>	<u>\$ 144,225</u>

See Independent Auditor's Report.

GUTHRIE COUNTY HOSPITAL
Patient Service Revenue
Year ended June 30,

	<u>2012</u>	
	<u>Inpatient</u>	<u>Outpatient</u>
Daily Patient Services:		
Medical, surgical and obstetric	\$ 1,014,940	\$ --
Swing bed	--	--
	<u>1,014,940</u>	<u>--</u>
Other Nursing Services:		
Cardiac rehabilitation	--	99,988
Operating and recovery rooms	209,941	1,006,920
Emergency room	116,542	675,492
Central services and supply	632,578	284,334
Intravenous therapy	43,814	53,686
Observation	59,731	257,407
	<u>1,062,606</u>	<u>2,377,827</u>
Other Professional Services:		
Emergency room professional	37,507	348,610
Laboratory	290,507	1,997,511
Blood	11,868	27,434
Electrocardiology	12,944	128,274
Radiology	53,275	473,827
CT scan	106,883	888,470
Ultrasound	14,080	303,874
Mammography	--	273,030
Nuclear imaging	--	20,735
MRI	6,334	577,485
Pharmacy	284,131	643,508
Anesthesia	58,656	198,385
Respiratory therapy	226,424	269,161
Speech therapy	1,455	19,047
Physical therapy	59,556	859,608
Occupational therapy	253	103,435
Outpatient clinics	--	73,180
Diabetic education	--	23,413
Hospice	--	--
Clinic professional fees	--	--
Surgery professional fees	--	--
	<u>1,163,873</u>	<u>7,228,987</u>
	<u>\$ 3,241,419</u>	<u>\$ 9,606,814</u>

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	2012		2011
Swing Bed	Physician Services	Total	Total
\$ --	\$ --	\$ 1,014,940	\$ 1,135,070
327,549	--	327,549	395,192
<u>327,549</u>	<u>--</u>	<u>1,342,489</u>	<u>1,530,262</u>
--	--	99,988	139,897
4,322	--	1,221,183	932,522
2,888	--	794,922	843,081
39,012	--	955,924	523,080
12,752	--	110,252	115,586
--	--	317,138	279,736
<u>58,974</u>	<u>--</u>	<u>3,499,407</u>	<u>2,833,902</u>
263	--	386,380	344,610
112,294	23,124	2,423,436	2,487,833
4,641	--	43,943	55,171
3,190	--	144,408	108,871
10,941	--	538,043	500,352
15,828	--	1,011,181	1,144,722
5,290	--	323,244	263,214
--	--	273,030	279,035
909	--	21,644	27,210
3,787	--	587,606	475,774
321,206	29,821	1,278,666	1,257,579
1,024	--	258,065	187,751
213,937	--	709,522	790,020
8,002	--	28,504	12,209
123,161	--	1,042,325	1,065,745
26,620	--	130,308	141,721
--	--	73,180	68,823
--	--	23,413	16,803
12,704	--	12,704	20,774
--	554,087	554,087	573,787
--	370,607	370,607	267,951
<u>863,797</u>	<u>977,639</u>	<u>10,234,296</u>	<u>10,089,955</u>
<u>\$ 1,250,320</u>	<u>\$ 977,639</u>	<u>\$ 15,076,192</u>	<u>\$ 14,454,119</u>

GUTHRIE COUNTY HOSPITAL
Revenue and Related Adjustments
Year ended June 30,

	<u>2012</u>	<u>2011</u>
<u>Net Patient Service Revenue</u>		
Patient service revenue	\$ 15,076,192	\$ 14,454,119
Contractual adjustments	(2,093,997)	(2,218,350)
Provision for bad debts	(496,632)	(521,532)
Charity care	(1,583)	(23,582)
	<u>\$ 12,483,980</u>	<u>\$ 11,690,655</u>
<u>Other Revenue</u>		
Dietary revenue	\$ 22,673	\$ 28,886
Congregate meals	41,800	50,673
Ancillary service coverage revenue	22,475	23,204
Outpatient clinic rental	33,671	35,875
Fitness center	56,283	53,196
Wellness revenue	3,720	2,840
Pharmacy student income	2,000	1,500
Miscellaneous income	7,170	5,572
	<u>\$ 189,792</u>	<u>\$ 201,746</u>

See Independent Auditor's Report.

GUTHRIE COUNTY HOSPITAL
Nursing Service Expenses
Year ended June 30,

	<u>2012</u>	<u>2011</u>
Administrative:		
Salaries and wages	\$ 90,314	\$ 96,411
Employee benefits	20,164	19,126
Supplies and other expense	<u>3,257</u>	<u>3,608</u>
	113,735	119,145
Medical, Surgical and Obstetric:		
Salaries and wages	958,671	973,261
Employee benefits	332,445	330,859
Supplies and other expense	<u>142,583</u>	<u>161,322</u>
	1,433,699	1,465,442
Cardiac Rehabilitation:		
Salaries and wages	73,007	69,385
Employee benefits	14,229	11,414
Supplies and other expense	<u>5,675</u>	<u>12,435</u>
	92,911	93,234
Operating and Recovery Rooms:		
Salaries and wages	165,310	137,805
Employee benefits	45,242	34,577
Purchased services	8,356	17,225
Professional fees	30,169	4,000
Supplies and other expense	<u>176,457</u>	<u>96,472</u>
	425,534	290,079
Emergency Room:		
Salaries and wages	265,610	255,746
Employee benefits	89,997	82,743
Supplies and other expense	<u>101,769</u>	<u>87,873</u>
	457,376	426,362

(continued next page)

GUTHRIE COUNTY HOSPITAL
Nursing Service Expenses - Continued
Year ended June 30,

	<u>2012</u>	<u>2011</u>
Central Services and Supply:		
Salaries and wages	\$ 87,737	\$ 85,856
Employee benefits	47,155	40,465
Supplies and other expense	<u>584,158</u>	<u>423,176</u>
	719,050	549,497
Intravenous Therapy:		
Supplies and other expense	<u>4,871</u>	<u>4,546</u>
	<u>\$ 3,247,176</u>	<u>\$ 2,948,305</u>

SUMMARY

Salaries and wages	\$ 1,640,649	\$ 1,618,464
Employee benefits	549,232	519,184
Professional fees	30,169	4,000
Supplies and other expense	<u>1,027,126</u>	<u>806,657</u>
	<u>\$ 3,247,176</u>	<u>\$ 2,948,305</u>

See Independent Auditor's Report.

GUTHRIE COUNTY HOSPITAL
Other Professional Service Expenses
Year ended June 30,

	<u>2012</u>	<u>2011</u>
Emergency Room Professional:		
Salaries and wages	\$ 576,839	\$ 667,729
Employee benefits	124,515	127,317
Professional fees	<u>107,397</u>	<u>17,616</u>
	808,751	812,662
Laboratory:		
Salaries and wages	245,154	236,080
Employee benefits	84,070	80,012
Professional fees	2,756	1,444
Supplies and other expense	<u>330,516</u>	<u>310,429</u>
	662,496	627,965
Blood:		
Blood	31,853	36,643
Supplies and other expense	<u>819</u>	<u>140</u>
	32,672	36,783
Electrocardiology:		
Salaries and wages	12,249	5,796
Employee benefits	2,843	1,320
Supplies and other expense	<u>544</u>	<u>1,650</u>
	15,636	8,766
Radiology:		
Salaries and wages	196,515	204,083
Employee benefits	66,368	58,165
Supplies and other expense	<u>98,075</u>	<u>90,662</u>
	360,958	352,910
CT Scan:		
Salaries and wages	22,114	14,303
Employee benefits	7,000	3,670
Supplies and other expense	<u>66,685</u>	<u>118,889</u>
	95,799	136,862
Ultrasound:		
Salaries and wages	8,003	6,151
Employee benefits	3,201	2,444
Supplies and other expense	<u>62,361</u>	<u>54,611</u>
	73,565	63,206

(continued next page)

GUTHRIE COUNTY HOSPITAL
Other Professional Service Expenses - Continued
Year ended June 30,

	<u>2012</u>	<u>2011</u>
Mammography:		
Salaries and wages	\$ 8,032	\$ 10,631
Employee benefits	2,603	2,896
Supplies and other expense	<u>45,908</u>	<u>15,536</u>
	56,543	29,063
Nuclear Imaging:		
Supplies and other expense	10,605	12,633
MRI:		
Supplies and other expense	77,063	68,201
Pharmacy:		
Salaries and wages	274,741	283,696
Employee benefits	82,485	80,745
Professional fees	6,616	3,364
Drugs	355,923	348,124
Supplies and other expense	<u>21,835</u>	<u>22,395</u>
	741,600	738,324
Anesthesia:		
Professional fees	208,590	148,290
Supplies and other expense	<u>1,263</u>	<u>1,893</u>
	209,853	150,183
Respiratory Therapy:		
Salaries and wages	141,094	125,749
Employee benefits	34,469	24,016
Oxygen, supplies and other expense	<u>76,802</u>	<u>62,889</u>
	252,365	212,654
Speech Therapy:		
Professional fees	18,363	8,525
Supplies and other expense	<u>112</u>	<u>--</u>
	18,475	8,525
Physical Therapy:		
Salaries and wages	301,661	302,063
Employee benefits	99,165	107,509
Supplies and other expense	<u>21,967</u>	<u>22,839</u>
	422,793	432,411
Occupational Therapy:		
Professional fees	40,740	44,200
Supplies and other expense	<u>205</u>	<u>533</u>
	40,945	44,733

(continued next page)

GUTHRIE COUNTY HOSPITAL
Other Professional Service Expenses - Continued
Year ended June 30,

	<u>2012</u>	<u>2011</u>
Medical Records:		
Salaries and wages	\$ 164,342	\$ 172,901
Employee benefits	70,278	74,877
Supplies and other expense	<u>35,620</u>	<u>39,299</u>
	270,240	287,077
Social Services:		
Salaries and wages	28,800	26,066
Employee benefits	11,508	10,436
Supplies and other expense	<u>534</u>	<u>637</u>
	40,842	37,139
Outpatient Clinics:		
Salaries and wages	110,874	65,287
Employee benefits	26,610	15,126
Supplies and other expense	<u>15,433</u>	<u>13,868</u>
	152,917	94,281
Fitness Center:		
Salaries and wages	41,167	40,223
Employee benefits	15,904	14,683
Supplies and other expense	<u>7,788</u>	<u>10,878</u>
	64,859	65,784
Diabetic Education:		
Salaries and wages	22,511	26,432
Employee benefits	4,058	4,781
Supplies and other expense	<u>1,964</u>	<u>1,390</u>
	28,533	32,603
	<u>\$ 4,437,510</u>	<u>\$ 4,252,765</u>

SUMMARY

Salaries and wages	\$ 2,154,096	\$ 2,187,190
Employee benefits	635,077	607,997
Professional fees	384,462	223,439
Supplies and other expense	<u>1,263,875</u>	<u>1,234,139</u>
	<u>\$ 4,437,510</u>	<u>\$ 4,252,765</u>

See Independent Auditor's Report.

GUTHRIE COUNTY HOSPITAL
Physician Services Expenses
Year ended June 30,

	<u>2012</u>	<u>2011</u>
Physician Service:		
Salaries and wages	\$ 360,837	\$ 329,538
Employee benefits	71,374	62,147
Professional fees	14,605	--
Supplies and other expense	<u>13,517</u>	<u>20,106</u>
	460,333	411,791
Nursing Service:		
Salaries and wages	134,706	111,459
Employee benefits	42,278	46,695
Medical supplies	26,730	26,021
Supplies and other expense	<u>55,798</u>	<u>7,775</u>
	259,512	191,950
Business Office:		
Salaries and wages	127,486	99,327
Employee benefits	55,315	46,080
Supplies and other expense	<u>118,725</u>	<u>46,493</u>
	301,526	191,900
Occupancy Costs:		
Rent	5,541	5,541
Utilities	<u>32,313</u>	<u>30,420</u>
	37,854	35,961
Surgery Services:		
Salaries and wages	38,057	44,645
Employee benefits	28,272	16,409
Professional fees	295,641	283,955
Supplies and other expense	<u>48,405</u>	<u>76,628</u>
	410,375	421,637
	<u>\$ 1,469,600</u>	<u>\$ 1,253,239</u>

SUMMARY

Salaries and wages	\$ 661,086	\$ 584,969
Employee benefits	197,239	171,331
Professional fees	310,246	283,955
Supplies and other expense	<u>301,029</u>	<u>212,984</u>
	<u>\$ 1,469,600</u>	<u>\$ 1,253,239</u>

See Independent Auditor's Report.

GUTHRIE COUNTY HOSPITAL
General Service Expenses
Year ended June 30,

	<u>2012</u>	<u>2011</u>
Dietary:		
Salaries and wages	\$ 164,121	\$ 168,352
Employee benefits	95,610	99,500
Food	111,077	116,327
Supplies and other expense	<u>24,137</u>	<u>30,568</u>
	394,945	414,747
Operation of Plant:		
Salaries and wages	213,553	231,500
Employee benefits	55,698	58,011
Electricity	136,806	141,576
Gas	85,680	84,373
Supplies and other expense	<u>110,005</u>	<u>120,296</u>
	601,742	635,756
Housekeeping:		
Salaries and wages	130,635	129,991
Employee benefits	67,410	60,854
Supplies and other expense	<u>31,438</u>	<u>31,730</u>
	229,483	222,575
Laundry and Linen:		
Purchased services	24,443	19,999
Supplies and other expense	<u>829</u>	<u>923</u>
	<u>25,272</u>	<u>20,922</u>
	<u>\$ 1,251,442</u>	<u>\$ 1,294,000</u>

SUMMARY

Salaries and wages	\$ 508,309	\$ 529,843
Employee benefits	218,718	218,365
Supplies and other expense	<u>524,415</u>	<u>545,792</u>
	<u>\$ 1,251,442</u>	<u>\$ 1,294,000</u>

See Independent Auditor's Report.

GUTHRIE COUNTY HOSPITAL
Fiscal and Administrative Service Expenses
Year ended June 30,

	<u>2012</u>	<u>2011</u>
Fiscal and Administrative:		
Salaries and wages	\$ 663,199	\$ 669,874
Employee benefits	214,607	199,859
Advertising	38,803	48,173
Telephone	27,030	28,274
Supplies and minor equipment	31,435	30,975
Collection expense	55,272	41,989
Computer maintenance	50,174	57,524
Education and meetings	25,635	3,975
Professional fees	92,191	77,436
Printing and postage	5,937	6,554
Purchased services	74,138	76,009
Recruiting	67,566	--
Dues and subscriptions	16,183	15,219
	<u>1,362,170</u>	<u>1,255,861</u>
Admissions Office:		
Salaries and wages	73,864	100,950
Employee benefits	31,917	66,816
Supplies and other expense	8,389	8,000
	<u>114,170</u>	<u>175,766</u>
Information Systems:		
Salaries and wages	151,435	141,064
Employee benefits	46,080	42,479
Supplies and other expense	65,525	68,833
	<u>263,040</u>	<u>252,376</u>
Employee Welfare:		
Salaries and wages	88,958	106,325
Employee benefits	26,205	32,366
Group health and life benefit	91,269	88,650
Workers' compensation insurance	75,784	89,733
Unemployment expense	20,598	8,699
Supplies and other expense	40,460	49,436
	<u>343,274</u>	<u>375,209</u>
Insurance:		
Liability and property insurance	<u>101,091</u>	<u>93,085</u>
	<u>\$ 2,183,745</u>	<u>\$ 2,152,297</u>

(continued next page)

GUTHRIE COUNTY HOSPITAL
Fiscal and Administrative Service Expenses - Continued
Year ended June 30,

	<u>2012</u>	<u>2011</u>
<u>SUMMARY</u>		
Salaries and wages	\$ 977,456	\$ 1,018,213
Employee benefits	546,920	578,038
Professional fees	92,191	77,436
Supplies and other expense	<u>567,178</u>	<u>478,610</u>
	<u>\$ 2,183,745</u>	<u>\$ 2,152,297</u>

<u>SUMMARY OF EXPENSES</u>		
Salaries and wages	\$ 5,941,596	\$ 5,938,679
Employee benefits	2,147,186	2,094,915
Professional fees	817,068	588,830
Supplies and other expense	<u>3,683,623</u>	<u>3,278,182</u>
	<u>\$ 12,589,473</u>	<u>\$ 11,900,606</u>

See Independent Auditor's Report.

GUTHRIE COUNTY HOSPITAL
Comparative Statistics
Year ended June 30,

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Acute Care:					
Admissions	307	409	363	357	280
Discharges	307	407	363	356	283
Patient days	1,015	1,197	1,046	1,033	810
Average length of stay	3.31	2.94	2.88	2.90	2.86
Average occupied beds	2.8	3.3	2.9	2.8	2.2
Swing Bed Program:					
Admissions	140	182	162	160	120
Discharges	141	182	161	163	117
Patient days	966	1,156	1,128	1,180	737
Combined Average Occupied Beds	5.4	6.4	6.0	6.1	4.2
Outpatient Occasions of Service	35,075	34,368	31,555	30,356	29,492

See Independent Auditor's Report.

GUTHRIE COUNTY HOSPITAL
Comparative Balance Sheets
June 30,

	<u>2012</u>	<u>2011</u>
Current Assets:		
Cash	\$ 1,939,153	\$ 1,228,512
Patient receivables, net	1,308,606	1,461,186
Other receivables	22,326	470,178
Inventory	310,851	294,031
Prepaid expense	212,268	144,225
Other current assets	22,008	23,128
Estimated third-party payor settlements	480,500	413,000
Succeeding year property tax receivable	1,529,000	1,430,000
Internally designated assets	<u>241,842</u>	<u>243,116</u>
Total current assets	6,066,554	5,707,376
Other Assets:		
Designated and restricted assets, net	--	--
Capital assets, net	10,825,265	11,070,142
Deferred financing costs	61,404	68,820
Notes receivable	<u>81,428</u>	<u>100,000</u>
Total other assets	<u>10,968,097</u>	<u>11,238,962</u>
Total assets	<u>\$ 17,034,651</u>	<u>\$ 16,946,338</u>
Current Liabilities:		
Current maturities of long-term debt	\$ 618,470	\$ 510,000
Accounts payable	362,405	601,593
Accrued expenses	565,688	566,920
Estimated third-party payor settlements	--	--
Accrued interest	270	--
Deferred revenue for succeeding year property tax receivable	<u>1,529,000</u>	<u>1,430,000</u>
Total current liabilities	3,075,833	3,108,513
Long-Term Debt, Net	<u>3,865,991</u>	<u>3,997,500</u>
Total liabilities	6,941,824	7,106,013
Net Assets	<u>10,092,827</u>	<u>9,840,325</u>
Total liabilities and net assets	<u>\$ 17,034,651</u>	<u>\$ 16,946,338</u>

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<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 398,618	\$ 1,426,524	\$ 749,607
1,242,396	1,167,168	1,424,981
23,957	18,842	18,257
206,368	197,114	201,612
115,649	96,163	67,738
19,465	27,490	22,526
213,000	--	180,000
1,372,000	1,250,400	1,241,200
<u>242,882</u>	<u>357,774</u>	<u>342,040</u>
3,834,335	4,541,475	4,247,961
--	--	810,990
10,326,982	8,135,860	6,207,903
77,168	32,443	35,204
<u>50,000</u>	<u>22,500</u>	<u>--</u>
<u>10,454,150</u>	<u>8,190,803</u>	<u>7,054,097</u>
<u>\$ 14,288,485</u>	<u>\$ 12,732,278</u>	<u>\$ 11,302,058</u>
\$ 510,000	\$ 190,000	\$ 194,772
635,694	578,356	286,642
526,959	487,434	433,474
--	444,000	--
--	--	118
<u>1,372,000</u>	<u>1,250,400</u>	<u>1,241,200</u>
3,044,653	2,950,190	2,156,206
<u>2,407,500</u>	<u>1,817,500</u>	<u>1,880,000</u>
5,452,153	4,767,690	4,036,206
<u>8,836,332</u>	<u>7,964,588</u>	<u>7,265,852</u>
<u>\$ 14,288,485</u>	<u>\$ 12,732,278</u>	<u>\$ 11,302,058</u>

GUTHRIE COUNTY HOSPITAL
Comparative Statements of Revenues, Expenses and Changes in Net Assets
Year ended June 30,

	<u>2012</u>	<u>2011</u>
Patient Service Revenue	\$ 15,076,192	\$ 14,454,119
Adjustments to Patient Service Revenue	<u>(2,592,212)</u>	<u>(2,763,464)</u>
Net Patient Service Revenue	12,483,980	11,690,655
Other Revenue	<u>189,792</u>	<u>201,746</u>
Total Revenue	12,673,772	11,892,401
Expenses	<u>13,776,651</u>	<u>12,938,786</u>
Operating Loss	(1,102,879)	(1,046,385)
Non-Operating Revenues, Net	<u>1,349,838</u>	<u>1,288,757</u>
Excess of Revenues Over Expenses Before Capital Grants and Contributions	246,959	242,372
Capital Grants and Contributions	<u>5,543</u>	<u>761,621</u>
Increase in Net Assets	<u>\$ 252,502</u>	<u>\$ 1,003,993</u>

See Independent Auditor's Report.

<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 12,909,830	\$ 12,402,605	\$ 11,878,840
(2,554,202)	(3,213,286)	(3,160,389)
10,355,628	9,189,319	8,718,451
<u>194,951</u>	<u>198,102</u>	<u>193,380</u>
10,550,579	9,387,421	8,911,831
<u>11,087,308</u>	<u>10,274,513</u>	<u>9,280,271</u>
(536,729)	(887,092)	(368,440)
<u>1,249,633</u>	<u>1,257,981</u>	<u>1,205,807</u>
712,904	370,889	837,367
<u>158,840</u>	<u>327,847</u>	<u>250,000</u>
<u>\$ 871,744</u>	<u>\$ 698,736</u>	<u>\$ 1,087,367</u>

COMMENTS AND RECOMMENDATIONS

Gronewold, Bell, Kyhnn & Co. P.C.

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Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Board of Trustees
Guthrie County Hospital
Guthrie Center, Iowa

We have audited the financial statements of Guthrie County Hospital as of and for the year ended June 30, 2012, and have issued our report thereon dated September 24, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

The management of Guthrie County Hospital is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Guthrie County Hospital's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Guthrie County Hospital's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Hospital's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses, and, therefore, there can be no assurance all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the Hospital's financial statements will not be prevented or detected and corrected on a timely basis.

To the Board of Trustees
Guthrie County Hospital

A significant deficiency is a deficiency or combination of deficiencies in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item 12-I-A to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Guthrie County Hospital's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Hospital's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Hospital. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Guthrie County Hospital's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the Hospital's responses, we did not audit the Hospital's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and constituents of Guthrie County Hospital and other parties to whom the Hospital may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

Donald, Bill, Hyman & W. P. C.

Atlantic, Iowa
September 24, 2012

GUTHRIE COUNTY HOSPITAL

Schedule of Findings

Year ended June 30, 2012

PART I - SIGNIFICANT DEFICIENCIES

12-I-A Segregation of Duties: A limited number of people have the primary responsibility for most of the accounting and financial duties. As a result, some of those aspects of internal accounting control which rely upon an adequate segregation of duties are, for all practical purposes, missing in the Hospital. This deficiency is common among most small rural hospitals.

Recommendation: We recognize that it may not be economically feasible for the Hospital to employ additional personnel for the sole purpose of segregating duties, however, it is our professional responsibility to bring this control deficiency to your attention. We recommend that the Board be aware of the lack of segregation of duties and that they act as an oversight group to the accounting personnel.

Response: The Board is aware of this lack of segregation of duties, but it is not economically feasible for the Hospital to employ additional personnel for this reason. The Board will continue to act as an oversight group.

Conclusion: Response accepted.

* * *

GUTHRIE COUNTY HOSPITAL

Schedule of Findings

Year ended June 30, 2012

PART II - REQUIRED STATUTORY REPORTING

12-II-A Certified Budget: Hospital expenditures during the year ended June 30, 2012 did not exceed the amount budgeted.

12-II-B Questionable Expenditures: During the audit, we noted a certain expenditure approved in the Board minutes that may not meet the requirements of public purpose as defined in the Attorney General's opinion dated April 25, 1979. The expense was as follows:

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
Various Organizations	Employee recognition banquet	\$ 2,546

Recommendation: We recommend that the Board continue to document the public purpose of such an expenditure before authorization is given.

Response: The expenditure is considered part of the employee benefit package and the Board feels it meets the requirements of public purpose as defined by the Attorney General's opinion dated April 25, 1979.

Conclusion: Response accepted.

12-II-C Travel Expenses: No expenditures of Hospital money for travel expenses of spouses of Hospital officials or employees were noted.

12-II-D Business Transactions: No business transactions between the Hospital and Hospital officials or employees were noted.

12-II-E Board Minutes: No transactions requiring Board approval were noted which had not been approved.

12-II-F Deposits and Investments: No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the Hospital's investment policy were noted.

* * *